

## FEDERAL RESERVE SYSTEM

SinoPac Holdings  
Taipei, Taiwan

### Order Approving the Formation of a Bank Holding Company

SinoPac Holdings (In Formation) (“SPH”) has requested the Board’s approval under section 3 of the Bank Holding Company Act (12 U.S.C. § 1842) (“BHC Act”) to become a bank holding company by indirectly acquiring Far East National Bank (U.S.A.), Los Angeles, California (“FENB”), as a result of acquiring all the voting shares of Bank SinoPac, also in Taipei (“Bank SinoPac”), a registered bank holding company under the BHC Act and a foreign bank within the meaning of the International Banking Act (“IBA”).<sup>1</sup> The proposal involves the affiliation of Bank SinoPac with an unaffiliated nonbanking company in Taiwan and the creation under Taiwan law of SPH as the top-tier holding company of the newly combined organization.<sup>2</sup>

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<sup>1</sup> Bank SinoPac indirectly owns all the voting shares of FENB through a wholly owned subsidiary, SinoPac Bancorp, also in Los Angeles (“Bancorp”). Bancorp is a registered bank holding company.

<sup>2</sup> SPH would be formed under the Financial Holding Company Law (“FHCL”) of Taiwan, which was promulgated July 9, 2001, and became effective November 1, 2001. The formation would occur through an exchange of shares with Bank SinoPac; SinoPac Securities, Inc. (“SSI”), a majority-owned nonbanking subsidiary of Bank SinoPac that primarily engages in securities activities; and National Securities Corporation (“NSC”), an unaffiliated nonbanking company that also engages primarily in securities activities, all in Taipei. In the United States, NSC engages in minimal activities permissible under section 211.23(f) of Regulation K. 12 C.F.R. 211.23(f). SPH’s corporate existence would begin on consummation of the exchange of shares, and Bank SinoPac, SSI, and NSC would be direct, wholly owned subsidiaries of SPH. After consummation of the transaction, SPH would merge SSI into NSC. The transaction would not affect

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Notice of the proposal, affording interested persons an opportunity to submit comments, has been published (67 Federal Register 2662 (2002)). The time for filing comments has expired, and the Board has considered the proposal and all comments received in light of the factors set forth in section 3 of the BHC Act.

On consummation of the proposal, SPH would become the 14th largest banking organization in Taiwan, with total consolidated assets equivalent to approximately \$10.6 billion.<sup>3</sup> Bank SinoPac operates a branch in Los Angeles. FENB is the 45th largest banking organization in California, controlling total deposits of \$946.5 million, representing less than 1 percent of total deposits in depository institutions in the state.<sup>4</sup>

#### Competitive and Convenience and Needs Considerations

The BHC Act prohibits the Board from approving an application under section 3 of the BHC Act if the proposal would result in a monopoly or would substantially lessen competition in any relevant banking market, unless the Board finds that the anticompetitive effects of the proposal are clearly outweighed in the public interest by the probable effects of the proposal in meeting the convenience and needs of the community to be served.<sup>5</sup> The proposal involves the

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Bank SinoPac's U.S. operations. FENB would be a wholly owned subsidiary of Bancorp directly and Bank SinoPac indirectly.

<sup>3</sup> Asset data are as of December 31, 2001, and are based on exchange rates then in effect. Currently, Bank SinoPac is the 16th largest banking organization in Taiwan, with total consolidated assets equivalent to approximately \$9.3 billion.

<sup>4</sup> Deposit and ranking data are as of June 30, 2001. In this context, depository institutions include commercial banks, savings banks, and savings associations.

<sup>5</sup> 12 U.S.C. § 1842(c).

formation of a new top-tier holding company for the combined organization under Taiwan law and does not involve the acquisition of a second bank in the United States. Based on all the facts of record, the Board has concluded that consummation of the proposal would not have a significantly adverse effect on competition or on the concentration of banking resources in any relevant banking market, and that competitive considerations are consistent with approval.

The Board also has considered the effect of the transaction on the convenience and needs of the communities to be served, including the performance record of FENB under the Community Reinvestment Act (“CRA”).<sup>6</sup> In light of all the facts of record, the Board also has concluded that considerations related to the convenience and needs of the communities to be served are consistent with approval of this proposal.

#### Financial, Managerial, and Certain Supervisory Considerations

The BHC Act requires the Board to consider the financial and managerial resources and future prospects of the companies and banks involved in a bank acquisition proposal. In assessing the financial and managerial strength of SPH and its affiliates, the Board has reviewed information from the home country authority responsible for supervising Bank SinoPac and SPH concerning the proposal and the condition of the parties; confidential financial information from SPH, NSC, Bank SinoPac and FENB; and reports of examination from the appropriate federal and state supervisors of the affected organizations assessing the financial and managerial resources of the organizations’ U.S. operations. The Board notes that the proposal is intended to enhance the overall financial strength and future prospects of the combined organization. Bank SinoPac’s capital levels

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<sup>6</sup> 12 U.S.C. § 2901 *et seq.* FENB received a “satisfactory” CRA performance rating from the Office of the Comptroller of the Currency at its most recent examination in January 2001.

exceed the minimum levels that would be required under the Basel Capital Accord, and are considered equivalent to the capital levels that would be required of a United States banking organization under similar circumstances. Based on all the facts of record, the Board concludes that the financial and managerial resources and future prospects of the organizations involved are consistent with approval.

Section 3 of the BHC Act also provides that the Board may not approve an application involving a foreign bank unless the bank is “subject to comprehensive supervision or regulation on a consolidated basis by the appropriate authorities in the bank’s home country.”<sup>7</sup> The Board previously has determined that Bank SinoPac is subject to comprehensive consolidated supervision by its home country authorities.<sup>8</sup> No material changes have occurred in the manner of Bank SinoPac’s supervision that would alter the Board’s previous determination. Based on all the facts of record, the Board has concluded that Bank SinoPac continues to be subject to comprehensive supervision and regulation on a consolidated basis by its home country supervisors.<sup>9</sup>

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<sup>7</sup> 12 U.S.C. § 1842(c)(3)(B). As provided in Regulation Y, the Board determines whether a foreign bank is subject to consolidated home country supervision under the standards set forth in Regulation K. 12 C.F.R. 225.13(a)(4). Regulation K provides that a foreign bank may be considered subject to consolidated supervision if the Board determines that the bank is supervised in such a manner that its home country supervisor receives sufficient information on the worldwide operations of the foreign bank, including the relationships of the bank to its affiliates, to assess the foreign bank’s overall financial condition and compliance with law and regulation. 12 C.F.R. 211.24(c)(1)(ii).

<sup>8</sup> See Bank SinoPac, 83 Federal Reserve Bulletin 669 (1997).

<sup>9</sup> Regarding the supervision of the new parent company of Bank SinoPac, the Board has considered that the parent, SPH, would be subject to supervision by the Ministry of Finance of Taiwan (“MOF”). Under the FHCL, the supervisor of a financial holding company in Taiwan is the competent authority designated in the Taiwan Banking Law, which at present is the MOF. The FHCL contains

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The BHC Act also requires the Board to determine that the applicant has provided adequate assurances that it will make available to the Board such information on its operations and activities and those of their affiliates that the Board deems appropriate to determine and enforce compliance with the BHC Act.<sup>10</sup> The Board has reviewed the restrictions on disclosures in jurisdictions where SPH would have material operations and has communicated with relevant government authorities concerning access to information. Bank SinoPac previously has committed that it will make available to the Board such information on its operations and the operations of any of its affiliates that the Board deems necessary to determine and enforce compliance with the BHC Act, the IBA, and other applicable federal law. Bank SinoPac also has committed to cooperate with the Board to obtain any waivers or exemptions that may be necessary to enable it to make such information available to the Board. SPH, Bank SinoPac's ultimate parent under the terms of the proposal, is in formation and, consequently, has not yet provided assurances of access to information. The Board's action on this proposal is subject to the condition that, immediately on its formation, SPH will provide the Board with commitments as prescribed by the Board with respect to access to information and consent to jurisdiction. In light of the commitments provided by Bank SinoPac, the condition stated above, and other facts of record, the Board has concluded that SPH has provided adequate assurances of access to

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prudential restrictions on transactions with affiliates and imposes capital adequacy requirements on financial holding companies. The MOF may order a financial holding company and its subsidiaries to provide financial statements, transaction information, or other related data for inspection and may send internal or outside independent auditors to audit and inspect the operations and the financial records of the financial holding company or any of its subsidiaries.

<sup>10</sup> See 12 U.S.C. § 1842(c)(3)(A)

any necessary information the Board may request. For these reasons, and based on all the facts of record, the Board has concluded that the supervisory factors it is required to consider under section 3(c)(3) of the BHC Act are consistent with approval.

### Conclusion

Based on the foregoing, the Board has determined that this application should be, and hereby is, approved, subject to all the terms and conditions in this order. In reaching its conclusion, the Board considered all the facts of record in light of the factors that it is required to consider under the BHC Act and other applicable statutes.

The Board's approval is specifically conditioned on compliance by SPH and Bank SinoPac with all the conditions set forth in this order and on all the representations and commitments made or relied on in connection with this application. In addition, the Board's order is specifically conditioned on the Board's receiving access to information on the operations or activities of SPH and any of its affiliates that the Board determines to be appropriate to determine and enforce compliance by SPH or its affiliates with applicable federal statutes.<sup>11</sup> These representations, commitments, and conditions are deemed to be conditions imposed in writing by the Board in connection with its findings and decision and, as such, may be enforced in proceedings under applicable law.

The transaction shall not be consummated before the fifteenth calendar day after the effective date of this order or later than three months after

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<sup>11</sup> The Board's action on this proposal also is subject to the condition that there will be no change in the ownership structure of SPH and its subsidiaries that would result in FENB no longer being supervised as a subsidiary of Bank SinoPac by the appropriate supervisory authority in Taiwan without the prior approval of the Board.

the effective date of this order, unless such period is extended for good cause by the Board, or by the Federal Reserve Bank of San Francisco, acting pursuant to delegated authority.

By order of the Board of Governors,<sup>12</sup> effective April 11, 2002.

(signed)

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Robert deV. Frierson  
Deputy Secretary of the Board

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<sup>12</sup> Voting for this action: Chairman Greenspan, Vice Chairman Ferguson, and Governors Gramlich, Bies, and Olson.